

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

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FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 3186

INFO AMEMBASSY ACCRA

C O N F I D E N T I A L LAGOS 2259

E.O. 11652: GDS

TAGS: ENRG, NI

SUBJECT: ENERGY: SALE OF NIGERIAN GOVERNMENT CRUDE OIL

REF: LAGOS 1739

1. NIGERIAN GOVERNMENT LAST WEEK NOMINATED TANKER TO LIFT 325,000 BARRELS OF ROYALTY OIL FROM GULF OIL COMPANY ON MARCH 27 FOR TENNECO REFINERY IN CHALMETTE, LOUISIANA.

2. MOBIL HAS BEEN TOLD TO EXPECT 469,000 BARREL LIFTING OF ROYALTY OIL BETWEEN APRIL 10 AND 25, BUT DESTINATION NOT GIVEN.

3. SHELL-BP CONTINUES TO DELIVER ROYALTY OIL TO SMALL TANKER PLYING BETWEEN SHELL-BP TERMINAL AT BONNY AND GHANAIAI-ITALIAN PETROLEUM COMPANY (AGIP) REFINERY AT TEMA. BY END OF MARCH, FIVE SCHEDULED LIFTINGS THIS QUARTER ARE EXPECTED TO TOTAL 106,000 METRIC TONS (NOT 160,000 TONS AS GIVEN REFTTEL).

4. OTHER PRODUCERS (AGIP/PHILLIPS, SAFRAP, AND TEXACO/CHEVRON) HAVE STILL NOT BEEN ASKED TO PAY ROYALTIES IN KIND.

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5. COMMENT: THUS, SHELL-BP WILL SOON BE JOINED BY GULF

AND MOBIL IN MAKING PARTIAL PAYMENT OF ROYALTIES IN KIND RATHER THAN CASH. THE SALES CONTRACTS UNDER WHICH FMG HAS SOLD THIS ROYALTY OIL, HOWEVER, ARE NOT NECESSARILY NEW: LONG-TERM CONTRACTS WERE SIGNED WITH TENNECO AND GELSENBERG ABOUT TIME OF SHELL-BP PARTICIPATION AGREEMENT (JUNE 1973), AND LATER ARRANGEMENT MADE WITH GHANA. UNTIL JANUARY 1, 1974, TENNECO, GELSENBERG, AND GHANA LIFTED ONLY PARTICIPATION OIL, THEN GHANA STARTED GETTING ROYALTY OIL (REFTEL). NOW IT APPEARS TENNECO AND MAYBE GELSENBERG WILL RECIEVE SOME ROYALTY OIL. ALTHOUGH QUANTITIES SOLD UNDER THESE CONTRACTS MAY BE INCREASING, TOTAL FROM ALL SOURCES PROBABLY STILL DOES NOT EXCEED 55,000 B/D ESTIMATED AS FOLLOWS:

15,000 PARTICIPATION OIL FROM SHELL-BP
10,000 PARTICIPATION OIL FROM AGIP
10,000 PARTICIPATION OIL FROM PHILLIPS
10,000 ROYALTY OIL FROM SHELL-BP
5,000 ROYALTY OIL FROM GULF

STILL NO INFORMATION ABOUT PRICE OF ROYALTY OIL. WHEREAS TENNECO AND GELSENBERG CONTRACTS NEGOTIATED MONTHS AGO, PRICE TO THEM IS PROBABLY MODERATE. FMG MAY IN FACT NOT BE RECEIVING AS MUCH AS POSTED PRICE (\$14.691) AND, IF SO, WOULD ACTUALLY BE SELLING AT LOSS IN ORDER INITIATE LIFTINGS OF ROYALTY OIL.
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